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REPORT

CD

DATE OF INFORMATION 1953

DATE DIST. 6 Jan 1955

NO. OF PAGES 16

SUPPLEMENT TO
REPORT NO.

THIS IS UNEVALUATED INFORMATION

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Cheng-fu Yu-suan Hui-chi Chiao-ch'eng (Textbook of Government Budget Accounting), published by Li-hsin Hui-chi T'u-shu Yung-p'in-she, Vol II, Chapter XV Chinese Annotated Bibliography Item 384, pp 46-64

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[Comment: This report presents in full Chapter XV of Cheng-fu Yu-suan Hui-chi Chiao-ch'eng (Textbook of Government Budget Accounting), by Wang P'ang-hsin and Liu Wen-ch'uan, a textbook designed for use in technical colleges and intermediate vocational accounting schools. Major subjects discussed in this chapter include the nature and organization of China's treasury system, the receipt and forwarding of revenues, the disbursement of treasury funds, the administration and operation of China's granaries, and the control and allocation of government warehouse materials. It should be noted that the numbering of the original text has been retained in this report.]

15-1. Meaning of the Treasury System

What is meant by the treasury? In essence, the treasury is that organ through which the government controls its currency, notes, and securities. All revenues collected by various government organs are remitted to the treasury for custody, and all budgetary expenditures are paid out of the treasury. The treasury, then, is an institution set up for the purpose of receiving, storing, and disbursing public funds.

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STATE	NAVY	NSRD	DISTRIBUTION						
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Financial departments are charged with the heavy responsibility of administering the fiscal policies of the state. Consequently, the treasury must be subject to the jurisdiction and direction of financial departments in its day-to-day activities. By concentrating all revenues in the treasury, financial departments can take the steps necessary to ensure the implementation of national policies and construction plans.

A strong treasury system is vital to an effective system of financial administration. However, the treasury system is the product of historical development, having progressed from a stage of instability, dispersion, and irrationality to the present stage of stability, centralization, and rationality. The various types of treasury systems and the special characteristics of China's treasury system will be discussed in the following sections of this chapter.

15-2. Unified and Independent Treasury Systems

(1) A unified treasury system is one in which all receipts and expenditures are funneled through a single treasury. To facilitate the handling and disposition of funds, a number of subtreasuries are established throughout the country. This system is very efficient for unifying and balancing national revenues and expenditures.

(2) The independent treasury system is one in which a number of treasuries handle state revenues and expenditures, acting independently of each other. This system may be subdivided as follows:

1. Enterprise treasury system. Under this system, enterprises set up their own treasuries to handle receipts and expenditures in their business operations. For example, a publicly-operated enterprise or its superior organ establishes its own treasury for the storage and disposition of public funds at its disposal. There are occasions when the enterprise treasury system and unified treasury system exist side by side, when certain types of enterprises are permitted to establish treasuries independent of the central treasury.

2. Dispersal treasury system. Under this system, government organs at various levels set up their own treasuries or deposit their funds in separate accounts in designated banks.

The unified treasury system has been adopted by most nations. With the exception of the enterprise treasury system, which is still found in some countries, the independent treasury system has nearly disappeared. China has adopted the unified treasury system and established a national treasury for the centralized control of all public funds.

15-3. Government Treasury and Authorized Treasury Systems

Treasury systems may be classified according to their methods of storing funds as follows:

(1) Government treasury system. Under this system, the state establishes a special organ for the receipt, custody, and expenditure of treasury funds. This system has a number of shortcomings, of which the most important are inefficiency in the utilization of funds and waste in the handling of administrative expenses.

(2) Authorized treasury system. Under this system, the state entrusts the responsibility for managing all financial receipts and expenditures to the state banks. This system may be subdivided as follows:

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1. Bank agency system. Under this system, the state banks establish treasuries and carry on treasury functions as agents of the state. All treasury functions and funds must be kept separate and distinct from the operations and capital of the banks themselves. In other words, the banks act only as the custodians of the public funds received and have no authority to make use of them.

2. Bank deposit system. Under this system, the state banks handle the receipt and expenditure of state funds as a part of their normal functions. All receipts become deposits of the government and at the same time are freely utilized as operating capital. All government expenditures must receive the prior authorization of financial departments.

The authorized treasury system is the better of the two systems discussed above. By using the network of state banks already in existence, there will be no need to establish separate treasury organs. By combining treasury deposits with bank deposits, it is possible to carry out more effectively the regulation of currency, the supply of funds, and the construction of large-scale industry. China's national treasury system is based on the authorized treasury system. Nominally, it has been designated a bank agency system. Actually, it functions as a bank deposit system, with the special characteristics of an integrated treasury-banking relationship, the coordination of fiscal and currency operations, and the assured distribution of funds as needed.

15-4. National and Local Treasuries

Although China's present financial system may be said to have three levels of organization, a more clear-cut distinction may be drawn between national and local finance. It is natural that the treasury system should be organized along similar lines, with both national and local treasuries. At present, only national treasuries exist. But actual developments show the need to distinguish between national and local treasuries on both an organizational and operational basis.

As a matter of fact, national treasuries throughout the country are already performing the functions of local treasuries as well as those for which they were originally established. In addition to distributing revenues which are clearly allocated between national and local governments in the budget, the national treasuries must compute the amounts of various taxes to be forwarded as income for the central, administrative area, and provincial (or municipal) governments. The responsibility for allocating these revenues rests, as in the East China Administrative Area, on the subdivisions of the national treasury located in the provinces (or municipalities). A similar situation prevails with regard to expenditures. As a result, local treasuries already exist on the administrative area and provincial (or municipal) levels.

In the East China Administrative Area, general treasuries have been established on the administrative area and provincial (or municipal) levels to handle local financial receipts and expenditures. On lower levels of government, subdivisions of the national treasury perform the functions of local treasuries. The working relationship between national and local treasuries, aside from the practice of keeping their accounts strictly separate, is not yet clearly defined.

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Under the present treasury system, the Central People's Government has established a National Treasury, the administrative areas have established National Regional Treasuries, the provinces (or municipalities) have established National Subregional Treasuries, and the hsien (or municipalities) have established National Branch Treasuries and, when necessary, Revenue Collection Offices. Each treasury unit is responsible to the treasury on the next higher level; for example, the regional treasury in the North China Administrative Area is directly subordinate to the National Treasury.

The functions of treasuries on all levels of government are performed by branches of the People's Bank of China on the corresponding level. In each case, the manager of the bank serves also as the manager of the treasury. In localities where branches of the People's Bank have not been established, independent branches of the treasury may be set up under the control of the People's Bank on the next higher level. The Main Office of the People's Bank of China functions as the National Treasury; the regional offices of the People's Bank in each administrative area function as National Regional Treasuries; the branches of the People's Bank in provinces and municipalities directly under the central or administrative area governments function as National Subregional Treasuries; and field offices of the People's Bank on lower levels of government function as National Branch Treasuries.

In principle, one branch treasury should be established in each hsien. Furthermore, revenue collection offices may be set up in important cities to function under the control of the hsien branch treasury.

15-6. Management and Supervision of Treasury Units

China's treasury system operates on the principle of "centralized management" and "localized responsibility." According to law, the National Treasury is managed by the Ministry of Finance and the authority to expend treasury funds is vested solely in this ministry. Regional treasuries in the various administrative areas are controlled by the National Treasury and are forbidden to make expenditures without the prior authorization of the National Treasury. The authority to transfer public funds from one treasury unit to another is also reserved to the National Treasury. Fund transfers between regional and subregional treasuries are handled directly by the National Treasury, and transfers between treasury units on lower levels of government are handled by the regional treasuries acting for the National Treasury.

Governments on all levels are empowered to supervise and examine the operations of their respective treasury units. Needless to say, they are not empowered to disburse treasury funds, with the exception of funds deposited in local treasury accounts. It is the responsibility of treasury units on all levels to supervise the work of tax-collection agencies. If it develops that these agencies are not handing in tax receipts according to law, the treasury units must report these irregularities to treasury units on higher levels and to the Ministry of Finance for a formal investigation.

15-7. Receipt and Forwarding of Revenues

All revenues are collected and paid into the treasury according to law. At present, there are two methods for the payment of revenues into the treasury. Under the first, the taxpayer makes his payment directly into the treasury after receiving notification of the amount due from a tax bureau or other collection agency. This is the procedure followed in large or medium-size cities. Under the second method, a collection agency makes payment into the

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treasury of revenues received. An example of this is the collection and payment into the treasury of various administrative fees and legal fines. Moreover, production enterprises make direct payments into the treasury of profits, depreciation funds, and income from clearing warehouses.

Regardless of the method employed, the usual procedure is for the payer to prepare a notice of payment before handing in funds. The individual taxpayer, after the amount of his tax has been approved by the appropriate tax bureau, makes out five copies of the notice of payment, and the collection agency makes out the same number when it prepares to hand in funds. This notice serves as a formal notification of payment, as well as evidence in written form that the payment has been made.

Every treasury unit is required to transfer its daily receipts to the treasury on the next higher level by means of a telegraphed or mailed bank draft. This treasury in turn transfers its daily receipts of revenues (forwarded by subordinate treasury units) to the National Treasury by means of a telegraphed bank draft. After the National Treasury has received and audited the day's revenues, it reports the total amount of treasury funds on hand to the various ministries of the Central People's Government. This report enables the ministries to estimate the amount of funds available for expenditure and to make their plans accordingly.

15-8. Statement of Revenue

At the end of each day, all income received by a branch treasury must be reported and forwarded to a subregional treasury. The report form accompanying this transfer is known as a statement of revenue and is drawn up according to the following format:

Statement of Revenue of the _____ Branch Treasury				Account Title		
Unit: yuan	Year	Month	Day	Account		
				Type of Transfer		
				Voucher	No	Seal
				Transfer	Year	Month Day
Collection Agency or Paying Unit	Higher Organization					
Budget Account	Amount of Revenue					
	Today's Receipts			Monthly Total		
	to Date					
Total						
Manager	Department Chief		Auditor		Person who prepared report	

This statement is compiled from the audit copies of the notices of payment received that day. In filling out the form, care must be taken to distinguish between collection agencies and paying units and to specify the "class" or "type" of budget account to which the revenue payment belongs. The disposition of the five copies of this statement is as follows: two copies, together with the return copy of the notice of payment, are returned to the collection agency or paying unit; one copy is retained by the branch treasury as a voucher for payments into the Treasury Fund Transfer Account and to this is attached the information copy of the notice of payment; and two copies are forwarded to the subregional treasury along with the audit copy of the notice of payment.

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The total amount of revenue shown on these statements is transferred to the subregional treasury by means of a mailed bank draft or, as with branch treasuries in key tax-collection cities in the East China Administrative Area, a telegraphed bank draft. The temporary receipt for the bank draft serves as a voucher for payments out of the Treasury Fund Transfer Account.

15-9. The Summary Statement of Revenue

The subregional treasury audits the two copies of the statement of revenue (with the attached audit copy of the notice of payment) received from the branch treasuries. It then compiles summary statements of revenue according to the provincial level higher organization of the collection agency or the paying unit. The summary statement is drawn up according to the following format.

Summary Statement of Revenue of the _____				Account Title		
Subregional Treasury				Account		
				Type of Transfer		
				Voucher No Seal		
Unit: yuan	Year	Month	Day	Transfer	Year	Month Day
Higher Organization of the Collection Agency						
or Paying Unit						
				Amount of Revenue		
<u>Budget Account</u>				Today's Monthly Total		
				<u>Receipts to Date</u>		
Total						
Manager Department Chief Auditor Person who prepared report						

The disposition of the eight copies of this statement is as follows: one copy is retained by the subregional treasury as a voucher for payments into the Treasury Fund Transfer Account; one copy is sent, together with a copy of the statement of revenue and the audit copy of the notice of payment, to the provincial level higher organization of the collection agency or paying unit; and the remaining six copies are forwarded respectively to the administrative area level higher organization of the collection agency or paying unit, the administrative area financial committee (or finance department), the regional treasury, the Ministry of Finance, the central government level higher organization, and the National Treasury. Copies intended for departments on the administrative area level must be sent via the regional treasury, and copies intended for central government ministries must be sent via the National Treasury.

The total amount of revenue shown on these summary statements is transferred to the National Treasury by means of a telegraphed bank draft, with the temporary receipt for the bank draft serving as a voucher for payments out of the Treasury Fund Transfer Account. A copy of the statement of revenue received from the branch treasuries is retained as a voucher for payments out of the Subordinate Treasury Fund Transfer Account. When the bank draft forwarded by the branch treasuries is received, it is necessary to make out a voucher for payments into the Subordinate Treasury Fund Transfer Account.

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The function of the regional treasury in the reporting and forwarding of treasury funds is relatively simple. As explained in Section 15-8 above, revenues received by subregional treasuries are forwarded directly into the National Treasury and only the summary statements of revenue are sent to the regional treasury for approval and transfer. Consequently, the regional treasury audits each day's receipts of summary statements of revenue submitted by subregional treasuries and, after making a copy for its records, transfers them to the National Treasury. However, since the regional treasury also serves as the general treasury for administrative area revenue, this revenue must be deducted from the total revenue reported by the subregional treasuries and transferred to the administrative area general treasury account. This process is discussed in Section 15-11 below.

On receiving the bank drafts telegraphed by the subregional treasuries, the National Treasury makes out a voucher for payments into the Subordinate Treasury Fund Transfer Account and a voucher for payments out of the Current Transactions With Bank Account, thereby indicating that the revenues forwarded by subordinate treasuries have been deposited in the bank. On subsequently receiving the summary statements of revenue forwarded by the regional treasuries, the National Treasury audits them and, as explained in Section 15-9 above, transmits copies to the various central government ministries concerned. On the basis of a copy of the summary statement of revenue retained for its own use, the National Treasury then makes out a voucher for payments into the Central Government Financial Income Account and a voucher for payments out of the Subordinate Treasury Fund Transfer Account. With this action, the entire process of reporting and forwarding treasury income is completed.

For revenues paid directly into the National Treasury, the notice of payment serves as evidence for the accounting transactions undertaken by the organs involved. The method of transmitting copies of the notice of payment is similar to the one discussed in Section 15-7 above, except that the audit copy is sent to the Ministry of Finance.

15-11. Allocation of Revenues

The allocation of revenues between the central and local governments has already been discussed in Section 5-5 and 5-6 above. Under the present system, all tax revenues received by branch treasuries must be forwarded to subregional treasuries for disposition. Each day the subregional treasury computes the total amount of tax receipts on the basis of the statements of revenue submitted by its branch treasuries. In accordance with ratios determined by law, the subregional treasury ascertains the respective shares of the National Treasury and local treasuries. The amount forwarded to the central government is recorded in the summary statement of revenue sent to the National Treasury, accompanied by an explanation of that day's total receipts under each budget account. The amount retained for the use of local governments is recorded in the summary statement of revenue sent to the regional treasury.

Since the regional treasury also serves as the general treasury for administrative area revenue and since the provincial and municipal subregional treasuries also serve as the general treasuries for provincial and municipal revenues, the subregional treasury merely forwards the administrative area share of revenue to the administrative area general treasury account and transfers directly the provincial and municipal shares of revenue to the provincial and municipal general treasury accounts. The treasury-bank relationship in these fund transfers is the same as the relationship, described in Section 15-10 above, between the National Treasury and the Main Office of the People's Bank of China.

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C-O-N-F-I-D-E-N-T-I-A-L15-12. Custody and Distribution of State Funds

All revenues collected by collection agencies must be paid into the treasury within a specified period. At the end of each day, the receiving treasury must report and forward its receipts to a higher level treasury for transfer to the National Treasury. This transfer is effected through the Current Transactions With Bank Account. For its part, the Main Office of the People's Bank of China makes an appropriate entry in the Treasury Fund Account, thus indicating the current relationship between the bank and the treasury. The People's Bank of China must guarantee the payment in full of all treasury fund deposits. No distinction is made in the handling and distribution of treasury funds, bank operating funds, and note issues. In general, the banks do not charge for their services in forwarding revenues to the National Treasury or in disbursing treasury funds. All treasury income is recorded in yuan. If revenue is received in the form of gold, silver, or foreign currency, it is the responsibility of the collection agency to convert it into yuan at a branch of the People's Bank before making payment into the treasury.

15-13. Disbursement and Transfer of Treasury Funds

Control over the disbursement of treasury funds is exercised by financial departments on all levels of government. Disbursements out of the National Treasury are handled by the Ministry of Finance, and disbursements out of administrative area and provincial (or municipal) general treasuries are handled by financial departments and offices on the corresponding levels of government. Each treasury must receive authorization, in the form of a warrant drawn up by a financial department, before it can disburse treasury funds. The warrant is drawn up according to the following format:

Treasury Warrant

Voucher	Serial No	Disbursement Notice	Serial No
Account	Contra Account	Receipt Notice	Serial No
	Year	Month	Day
Disbursing Treasury	Receiving Organ		
<u>Account</u>	<u>Year</u>	<u>Month</u>	<u>Amount</u>
			<u>Remarks</u>
Total			
Amount received in full	Seal of receiving organ	Account of receiving organ	
Manager	Accountant	Auditor	Bookkeeper

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At the beginning of each monthly or quarterly period, the finance department issues a treasury warrant prepared in accordance with the approved allocated expenditure budget and a formal request for funds. Of the three copies made, one is retained for the record and the other two are sent to the disbursing treasury and receiving organ. On receiving its copy of the warrant, the receiving organ makes arrangements for the actual disbursement of funds with the disbursing treasury. Although the procedure for disbursing treasury funds is discussed more fully in Chapter XVI, it should be noted that appropriate bank accounts must be established to handle different types of treasury disbursements. The methods of distributing the three major types of treasury disbursements are as follows:

- (1) Expenditure funds for administrative organs are paid into current accounts established by these organs.
- (2) Enterprise working capital is paid into clearing accounts established by individual enterprises.
- (3) Enterprise basic construction capital is paid into supervisory accounts established by individual enterprises.

Enterprise basic construction capital is paid into supervisory accounts established by individual enterprises.

When organs receive funds intended for the use of subordinate organs, they must effect the transfer of funds the same day by means of a check or bank draft. When the organ in question does not receive its funds from a central ministry, the National Treasury may authorize the bank, in accordance with a treasury warrant, to send a draft to the organ's local bank for disposition in one of the three accounts listed above.

All warrants for the advance disbursement of funds for use in the following year must be clearly labeled as such. The procedure for spending funds allocated to the accounts of organs and enterprises is discussed in Chapter XVI.

15-14. Refunding of Revenues

Revenues paid into the treasury are refunded on the discovery of overpayments or erroneous payments. In each case, the transaction must be verified by the higher organization, on provincial level or above, of the collection agency or paying unit concerned. The first step is for the original payer, whether an individual or an organ, to make out a Refund Application. After this has been endorsed by the proper authorities, it serves as the basis for drawing up a Revenue Refund Voucher in quadruplicate. The formats to be followed in preparing these documents are as follows:

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Refund Application

	<u>Serial No</u>	<u>Year</u> <u>Month</u> <u>Day</u>
<u>Applicant</u>	<u>Budget Account</u>	<u>Date of Original Payment</u>
<u>Evidences of Payment</u>	<u>Original Payment</u>	
<u>Month</u>	<u>Day</u>	<u>Serial No</u>
<u>Amount</u>	<u>Amount to Be Refunded</u>	
Total		

To Be Filled Out by Applicant

Reason for requesting refund _____
 Seal of applicant _____
 Date of application _____

To Be Filled Out by Reviewing Agency

Comment and endorsement _____
Seal of reviewing agency _____
Date of endorsement _____

Revenue Refund Voucher

Original Collection Agency

Refund	Year	Month
--------	------	-------

		<u>Original Payment</u>				<u>Year</u>	<u>Month</u>
<u>Month</u>	<u>Day</u>	<u>Notice of Payment</u>	<u>Budget Account</u>	<u>Amount</u>	<u>Payer</u>	<u>Amount of Refund</u>	<u>Signature of Recipient</u>
<u>Total</u>							

Reason for
Refund

Comment of
Reviewing Agency

Agency Handling RefundRefunding Treasury

Name _____
 Seal of responsible
 individual _____
 Date filled out _____

Manager's seal _____
Accountant's
seal _____
Date of refund _____

Of the four copies of the Revenue Refund Voucher, one is retained for the file and the remaining three are presented to the refunding treasury as evidence for reimbursement. The treasury retains one copy, returns one copy to the original payer, and forwards one copy to the subregional treasury for transfer to the higher organization of the collection agency or paying unit involved. In the case of tax refunds, corrections must be made in red ink in the appropriate accounts of the statement of revenue for the day in question.

15-15. Repayment of Treasury Funds

Repayments of treasury funds occur when disbursements are handed back during the course of the year and when fund surpluses from the previous year are returned to the treasury. In either case, the procedure is the same as that for paying revenue into the treasury and requires the filling out of notices of payment (see Section 15-7 above). When handing back disbursements, the organ or enterprise must specify the category, class, and type of the original budget account. When returning fund surpluses from the previous year, the

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organ or enterprise should make reference to the Previous Year's Current Account. Turning to the accounts of the treasury, it must deduct the amount of disbursements handed back from the original expenditure account and dispose of fund surpluses in the Previous Year's Surplus Account.

15-16. Granaries and the Control of Public Grain

Granaries are state organs charged with the responsibility of the receipt, custody, and disbursement of public grain. Public grain is used to supply construction projects, as an equivalent for money, and as military rations. Consequently, granaries are actually a part of the treasury system. Public grain is divided into the two categories of primary grains and miscellaneous grains. Under the system presently in effect in China, the primary grains are principally rice and wheat, with all other grains falling under the miscellaneous category.

The organization of China's public granaries and administrative control organs is as follows:

- (1) The Main Office of Food Control of the Central People's Government, under the jurisdiction of the Ministry of Finance
- (2) The administrative area food control bureaus, under the joint jurisdiction of the Main Office of Food Control and the administrative area departments of finance.
- (3) The provincial food bureaus, under the joint jurisdiction of administrative area food control bureaus and provincial finance offices
- (4) The special administrative district food subbureaus and district public granaries
- (5) The hsien food bureaus (departments) and hsien public subgranaries.

The primary responsibility of food bureaus and public granaries on all levels is the control of public grain. Such related work as the investigation of agricultural taxes, the conducting of land surveys, and the collection of public grain is handled by the various levels of people's governments under the leadership of financial departments.

Public granaries are responsible for the custody of public grain. In storing public grain, it is necessary to distinguish between grain belonging to the national and to the local governments. Whether it be the liquidation of old grain or the reception of new grain, separate storage facilities must be provided and separate accounting maintained.

Public granaries may be classified as financial granaries or commercial granaries, depending on the purpose for which the grain is stored. Public granaries which, together with their processing mills, furnish grain for use in the financial supply system are designated financial granaries. The responsibility for the construction and maintenance of these granaries belongs to the Ministry of Finance or may be delegated by the ministry to administrative area departments of finance. Public granaries which, together with their processing mills, furnish grain to commercial departments for use in regulating supply and demand on the market are known as commercial granaries. The responsibility for constructing and maintaining these granaries belongs to the Ministry of Commerce. Plans for the construction or expansion of either type of granary (or processing mill) must be approved by the Committee of Finance and Economics of the Government Administration Council.

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Whenever possible, granaries should be constructed at locations where they may serve jointly as financial and commercial granaries. When it is necessary to construct separate granaries, commercial granaries should be established in rail and shipping transportation centers so as to facilitate the control of food markets. The selection of Sites for financial granaries should be governed by the requirements of key-point construction and scattered food supply.

Grain received in public granaries must meet certain standards. The objective in grain-custody work is to maintain an adequate supply on hand and at the same to build up a centralized reserve supply. The scientific storage of grain requires that effective measures be taken against insects, rotting, dampness, fire, and theft. This requires in turn an effective security organization to ensure the safety of the granaries.

15-17. Reporting the Receipt of Public Grain

The process of reporting receipts of public grain can be discussed conveniently under the following two headings:

(1) Reporting the receipt of agricultural taxes. Public grain consists largely of agricultural taxes in kind. Each time agricultural taxes are paid into public granaries under the jurisdiction of hsien-level food organizations, the granary must fill out a public grain receipt notice in triplicate. The daily disposition of these notices is as follows: the record copy is retained, the receipt copy is forwarded to the hsien tax-collection department, and the information copy serves as the basis for drawing up the daily report of the hsien food bureau (or department). This notice is drawn up as follows:

Name of Bureau (or Granary)			
Public Grain Receipt Notice			
Serial No	Year	Month	Day
			Unit: Shih-chin [.5 kilogram]
Paying Organ	Location of Granary		
Account	General Account	Year	
	Subsidiary Account	Month	
<u>Type of Grain</u>	<u>Amount of Grain</u>	<u>Comment</u>	
Total			
Bureau (or Granary) Manager	Chief Accountant	Person preparing report	

On receiving the information copies of public grain receipt notices submitted by its public granaries, the hsien food bureau (or department) compiles a daily summary report and forwards it, with the original information copies attached, to the special administrative district food subbureau. After checking and recording in its own account books, the subbureau compiles a similar daily summary report to be forwarded to the provincial food bureau. The procedure for reporting to food bureaus (or granaries) above the provincial level is similar to the above. The daily summary report is drawn up as follows:

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Name of Bureau (or Granary)

Daily Summary Report of Public Grain Receipts and Disbursements

Serial No

Year Month Day Unit: Shih-chin

ReceiptsAccount Title
Type of Grain
Amount of Grain
TotalEnclosures
Type NoCommentDisbursementsAccount Title
Type of Grain
Amount of Grain
Total

Bureau (or Granary) Manager

Chief Accountant

Person preparing report

(2) Reporting of other receipts. Income resulting from the clearing of granaries and the appreciation of stocks on hand is included under this heading. Also, income received from other organs, such as the handing in of public grain produced by the armed forces, the return of surpluses at the end of the year, and the repayment of granary disbursements, falls under this heading. To distinguish between these receipts and agricultural tax receipts, each bureau (or granary) must draw up a report of other receipts to accompany the daily summary report of public grain receipts and disbursements forwarded to higher authorities.

The method of reporting local public grain receipts for the use of administrative area and provincial governments is the same as that outlined above for national public grain receipts. When posting the receipts of local public grain into the various income accounts (above-quota agricultural tax receipts, other receipts, subsidies from the central government, previous year's surplus, repaid disbursements, etc.), accounting and reporting organs at all levels must maintain separate records for administrative area and provincial grain receipts.

15-18. Disbursement of Public Grain

Control over the disbursement of public grain is exercised by financial departments on all levels of government. At the beginning of each monthly or quarterly period, the finance department issues a granary warrant prepared in accordance with the approved allocated expenditure budget. Of the three copies made, one is retained for the record and the other two are sent to the food department responsible for handling the grain disbursement and to the organ designated as the grain recipient. On receiving its copy of the warrant, the recipient organ makes out an application for grain payment and sends copies to the financial department and responsible food department. The responsible food department, after checking the application for grain payment against the granary warrant, then issues a public grain disbursement voucher in triplicate. Of the three copies made, one is retained for the record, one is forwarded to the disbursing granary, and one is sent to the recipient organ to serve as an authorization for the actual disbursement of grain. The granary warrant and public grain disbursement voucher are drawn up as follows:

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Granary Warrant

Year	Month	Day	Disbursement Notice	Serial No
			Receipts Notice	Serial No
Disbursing Organ			Receiving Organ	
<u>Account</u>	<u>Year</u>	<u>Month</u>	<u>Type of Grain</u>	
			<u>Rice</u>	<u>Rice Equivalent</u>

Total

Amount paid in full by this bureau	Food bureau manager	Food bureau chief accountant	Food bureau account
Amount received in full by this organ	Seal of respon- sible official of this organ	Recipient organ account	

Name of Bureau (or Granary)

Public Grain Disbursement Voucher

Serial No	Year	Month	Day
Disbursing Bureau (or Granary)	General Account		
	Subsidiary Account		
Receiving Organ	Voucher Received	Year	Month
	Grain Received	Year	Month
<u>Type of Grain</u>	<u>Amount</u>	<u>Comment</u>	

Total

Bureau (or Granary) Manager	Chief Accountant	Person preparing report
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15-19. The Accounting Unit for Public Grain

In keeping records of grain receipts and disbursements, a physical unit of measurement, known as the grain unit, is employed. In the accounts of food bureaus (or granaries), the grain unit is used exclusively. However, entries in general and unit accounts must be made both in grain units and in equivalent amounts of people's currency (calculated at a standard conversion rate). Under the present system, the accounting unit varies according to the level of food organization as follows:

(1) On the central government level, entries are made in units of the three primary grains: rice, millet, and wheat. Other miscellaneous grains are recorded in equivalents of these primary grains.

(2) On the administrative area and provincial levels, entries are made in units of the various types of grain collected, such as rice, millet, wheat, corn, kaoliang, soybeans, unhusked rice, etc. If the varieties of grain are excessive in number, it is permissible to group them into major categories and make entries in units of these categories. However, the method of classification must be approved by the Main Office of Food Control of the Central People's Government.

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(3) On the special administrative district level, entries are made generally in units of the various types of grain collected.

The public grain unit of measurement is the Shih-chin. On the special administrative district level and above, amounts more than one-half chin are counted as one chin and amounts less than one-half chin are omitted. Entries in the accounts of hsien food organizations must be calculated to the nearest ounce.

Among the various rates employed to convert miscellaneous grains into units of primary grain, there are the agricultural tax conversion rate, the supply conversion rate, and the market value conversion rate. Agricultural tax receipts are computed according to the agricultural tax conversion rate. With regard to grain disbursements, the nature of the disbursement determines the rate employed. Thus, grain intended for the supply system is computed according to the supply conversion rate, and grain intended for business and trade is computed according to the market conversion rate. Uniform conversion rates have been established by the Main Office of Food Control of the Central People's Government for use by all levels of food bureaus (or granaries). Any losses or gains resulting from the use of these conversion rates must be reported each month by food bureaus on the provincial level and above to the Ministry of Finance.

15-20. Liquidation and Allocation of Warehouse Materials

In March 1950, the Central People's Government issued the Decisions Regarding the Liquidation and Allocation of Warehouse Materials. These decisions provide for the disposition of the large amounts of goods and equipment stored in government warehouses during the period of Kuomintang rule. To dispose of these materials rationally and on a nationwide basis, it was necessary to distinguish between those suitable for use in basic industry and those suitable for conversion into cash. Moreover, it was necessary to overcome the tendency of enterprises and military and government units to hoard goods and equipment. To achieve these objectives, it was decided to establish the National Committee for the Liquidation and Allocation of Warehouse Materials (hereafter referred to as the National Committee). Subcommittees were created by administrative area governments and central government departments to carry out checking and liquidation work under the direction of the National Committee.

Goods are allocated by the National Committee, acting in cooperation with the Committee of Finance and Economics and the People's Revolutionary Military Council, according to the following principles:

- (1) Industrial, mining, and transportation departments (and enterprises under their jurisdiction) are assigned specified amounts of goods and equipment in the form of fixed and working capital, and must turn over any excess materials in their warehouses to the Committee of Finance and Economics for distribution.
- (2) All materials in warehouses under trading departments (or trading companies) must be checked and appraised, including both materials taken over and materials in commercial inventories. After the Committee of Finance and Economics has determined the total investment figure for trading organizations, any surplus materials must be transferred to this committee for allocation.
- (3) Goods and equipment in warehouses under the jurisdiction of financial departments, with the exception of purchased items, are to be appraised and turned over to the Committee of Finance and Economics for allocation.

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(4) All goods in military warehouses must be checked and the resulting inventories reported to the National Committee. The actual distribution of these materials shall be effected by the Rear Services Department of the People's Revolutionary Military Council.

All income from the liquidation of warehouse materials shall be paid into the national treasury. These revenues are realized and disposed of as follows:

(1) Industrial, mining, and transportation departments may request more warehouse goods for their operations, in addition to the materials distributed by the Committee of Finance and Economics and transferred by the Ministry of Finance to their accounts as investment. On approval by the Committee of Finance and Economics, these warehouse goods may be distributed either in the form of increased investment or in the form of purchases at prices determined by the Ministry of Finance.

(2) Daily-use items to be liquidated may, on the decision of the Committee of Finance and Economics, be turned over to various trading companies for sale to the public. Contracts between the Ministry of Finance and the Ministry of Commerce shall determine the selling prices of these commodities and indicate whether the proceeds shall be regarded as investment in trade or as credits to be returned to the national treasury.

(3) Miscellaneous and obsolete goods shall be turned over to the Ministry of Finance for sale at auction, and the proceeds shall be paid into the treasury.

(4) Goods stored in military warehouses shall at such time as the National Committee and the People's Revolutionary Military Council may determine, be allocated by the Rear Services Department of the People's Revolutionary Military Council.

(5) Materials and equipment which cannot be handled by any of the above methods shall be classified and stored in appropriate warehouses under the control of the National Committee.

Since warehouses are entrusted with the custody of goods and equipment representing major sources of investment and capital, they must be regarded as a part of the treasury system.

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